CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST JULY, 2019

The board of directors (the "Board") of Capital Estate Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st July, 2019, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st July, 2019

	NOTES	**2019** **HK$'000**	2018 *HK$'000*
Revenue	*4*	**432,212**	316,228
Cost of sales		**(230,503)**	(161,293)
Direct operating costs		**(44,698)**	(48,410)
Gross profit		**157,011**	106,525
Other gains and losses	*5*	**108,944**	25,418
Other income		**15,182**	2,976
Marketing expenses		**(11,959)**	(4,819)
Administrative expenses		**(59,065)**	(53,412)
Other hotel operating expenses		**(12,463)**	(13,964)
Share of profit (loss) of an associate		**18,903**	(505)
Finance costs	*6*	**–**	(131)
Profit before taxation		**216,553**	62,088
Income tax expense	*7*	**(55,149)**	(13,064)
Profit for the year	*8*	**161,404**	49,024

	NOTE	2019 HK$'000	2018 HK$'000
Other comprehensive expense:			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(13,640)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,089)**	(275)
Other comprehensive expense for the year		**(18,729)**	(275)
Total comprehensive income for the year		**142,675**	48,749
Profit for the year attributable to:			
Owners of the Company		**149,957**	37,188
Non-controlling interests		**11,447**	11,836
		161,404	49,024
Total comprehensive income attributable to:			
Owners of the Company		**132,528**	37,004
Non-controlling interests		**10,147**	11,745
		142,675	48,749
			(restated)
Earnings per share	*9*		
Basic – HK cents		**77.2**	19.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st July, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**244,730**	258,576
Prepaid lease payments		**2,005**	2,121
Premium on prepaid lease payments		**30,809**	32,547
Interest in an associate		**221,335**	215,053
Available-for-sale investments		**–**	13,640
Financial assets at fair value through other comprehensive income		**–**	–
Deposit and prepayment for a life insurance policy		**11,675**	–
		510,554	521,937
Current assets			
Properties held for sale		**176,292**	411,464
Inventories		**2,100**	2,064
Trade and other receivables	*10*	**8,057**	6,469
Amount due from an associate		**5,736**	9,006
Prepaid lease payments		**92**	93
Prepaid income tax		**14,853**	8,700
Financial assets at fair value through profit or loss/investments held for trading		**250,955**	46,740
Pledged bank deposit		**643**	642
Bank balances and cash		**356,316**	280,127
		815,044	765,305
Current liabilities			
Trade and other payables	*11*	**42,014**	52,800
Deposits from pre-sale of properties		**–**	185,578
Contract liabilities		**32,782**	–
Amounts due to related parties		**163,529**	137,384
Tax payable		**72,458**	23,535
		310,783	399,297
Net current assets		**504,261**	366,008
Total assets less current liabilities		**1,014,815**	887,945

	2019	2018
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liability	**33,841**	48,902
Net assets	**980,974**	839,043
Capital and reserves		
Share capital	**1,518,519**	1,518,519
Reserves	**(494,981)**	(627,509)
Equity attributable to owners of the Company	**1,023,538**	891,010
Non-controlling interests	**(42,564)**	(51,967)
Total equity	**980,974**	839,043

1. GENERAL

Capital Estate Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Unit 1701, 17/F., YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st August, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st August, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue mainly from the hotel operations and sale of properties held for sale.

Information about the Group's performance obligations and accounting policies resulting from application of HKFRS 15 will be disclosed in the annual report.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised. The following table summarises the impact of transition to HKFRS 15 on the Group's consolidated statement of financial position. Line items that were not affected by the changes at 1st August, 2018 have not been included.

Impacts on liabilities as at 1st August, 2018

	Notes	**Carrying amount previously reported at 31st July, 2018**	**Impacts of adopting HKFRS 15**	**Carrying amount under HKFRS 15 at 1st August, 2018**
		HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	*a*	52,800	(1,308)	51,492
Deposits from pre-sale of properties	*b*	185,578	(185,578)	–
Contract liabilities	*a, b*	–	186,886	186,886

Notes:

(a) As at 1st August, 2018, advances from customers of HK$1,308,000 in respect of room and food and beverage service contracts previously included in trade and other payables were reclassified to contract liabilities.

(b) As at 1st August, 2018, advances from customers of HK$185,578,000 in respect of properties sales contracts previously included in deposits from pre-sale of properties were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31st July, 2019 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impacts on liabilities as at 31st July, 2019

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	42,014	1,428	43,442
Deposits from pre-sale of properties	–	31,354	31,354
Contract liabilities	32,782	(32,782)	–

Impacts on the consolidated statement of cash flows for the year ended 31st July, 2019

	As reported *HK$'000*	Reclassification *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Operating activities			
Decrease in trade and other payables	(8,990)	134	(8,856)
Decrease in deposits from pre-sale of properties	–	(152,118)	(152,118)
Decrease in contract liabilities	(151,984)	151,984	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st July, 2019, movements in working capital were computed based on the opening consolidated statement of financial position as at 1st August, 2018 as disclosed above.

2.2 HKFRS 9 "Financial Instruments" ("HKFRS 9")

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and financial guarantee contracts and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st August, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st August, 2018. The difference between the carrying amounts as at 31st July, 2018 and the carrying amounts as at 1st August, 2018 are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39").

Accounting policies resulting from application of HKFRS 9 will be disclosed in the annual report.

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st August, 2018.

	Note	Available-for-sale ("AFS") investments *HK$'000*	Financial assets at fair value through other comprehensive income ("FVTOCI") *HK$'000*	Amortised cost (previously classified as loans and receivables) *HK$'000*	Revaluation reserve *HK$'000*	FVTOCI reserve *HK$'000*	Accumulated losses *HK$'000*
Closing balance at 31st July, 2018 (audited) – HKAS 39		13,640	–	293,656	60,710	–	(884,272)
Effect arising from initial application of HKFRS 9:							
Reclassification from AFS investments	*a*	(13,640)	13,640	–	(9,200)	(60,138)	69,338
Opening balance at 1st August, 2018 (restated)		–	13,640	293,656	51,510	(60,138)	(814,934)

(a) AFS investments

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as AFS investments, of which HK$13,640,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$13,640,000 were reclassified from AFS investments to equity instruments at FVTOCI. In addition, impairment losses previously recognised of HK$60,138,000 were transferred from accumulated losses to FVTOCI reserve and revaluation gain previously recognised upon the step acquisition of an associate of the Group of HK$9,200,000 were transferred from revaluation reserve to accumulated losses as at 1st August, 2018.

(b) Impairment under ECL model

The Group has applied the HKFRS 9 simplified approach to measure ECL using lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

Loss allowances for financial guarantee contracts and other financial assets at amortised cost, mainly comprising other receivables, amount due from an associate, pledged bank deposit and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1st August, 2018, no additional credit loss allowance has been recognised against accumulated losses as the directors of the Company consider that the amount is immaterial.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1st January, 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1st January, 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020
[5] Effective for annual periods beginning on or after 1st January, 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases" ("HKFRS 16")

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" ("HKAS 17") and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing cash flow.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st July, 2019, the Group has non-cancellable operating lease commitments of HK$2,974,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$751,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The financial information relating to the years ended 31st July, 2019 and 2018 included in this preliminary announcement of annual results 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st July, 2019 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	sale of properties held for sale

Information regarding these segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31st July, 2019

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
GROSS PROCEEDS	71,119	66,997	361,093	499,209
SEGMENT REVENUE	71,119	–	361,093	432,212
SEGMENT (LOSS) PROFIT	(14,243)	(1,006)	233,788	218,539
Unallocated income				1,845
Unallocated expenses				(24,649)
Gain on disposal of subsidiaries				1,915
Share of profit of an associate				18,903
Profit before taxation				216,553

For the year ended 31st July, 2018

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
GROSS PROCEEDS	79,073	7,230	237,155	323,458
SEGMENT REVENUE	79,073	–	237,155	316,228
SEGMENT (LOSS) PROFIT	(13,413)	(11,496)	164,275	139,366
Unallocated income				53
Unallocated expenses				(26,597)
Impairment loss recognised on an AFS investment				(50,098)
Share of loss of an associate				(505)
Finance costs				(131)
Profit before taxation				62,088

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, gain on disposal of subsidiaries, impairment loss recognised on an AFS investment, central administration costs, directors' salaries, share of profit/loss of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

	2019 ***HK$'000***	2018 *HK$'000*
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")/investments held for trading	**(13,064)**	(16,573)
Dividend income from financial assets at FVTPL/investments held for trading	**2,089**	2,089
Gain on disposal of subsidiaries	**1,915**	–
Impairment loss recognised on an AFS investment	**–**	(50,098)
Settlement consideration *(note)*	**118,004**	90,000
	108,944	25,418

Note:

The Group had a property development project in Macau (the "Macau Properties") which has been recorded as property for development. The Group has submitted application and development plan to the relevant Macau government authorities since 2007 and continued to liaise with the government authorities in relation to obtaining approval. The Group did not commence construction activities of the Macau Properties pending government approval on the revised development plan.

On 5th August, 2016, the Company, through Sun Fat Investment and Industry Company Limited ("Sun Fat"), an indirect 99% owned subsidiary of the Company, received a written notification from the Land, Public Works and Transport Bureau of Macau (the "Notification") informing that, among others, the parcel of land regarding the Macau Properties (the "Macau Land") shall be returned to the government of Macau upon expiry of the valid period of the land grant with no responsibility or burden and Sun Fat shall not be entitled to any compensation. Sun Fat lodged a judicial appeal in September 2016.

Based on the register of the Properties Registration Bureau of Macau which is publicly available, Sun Fat's title on the Macau Land was deregistered on 28th July, 2016. Accordingly, the Group derecognised the Macau Properties with a carrying amount of HK$60,000,000, comprising cost incurred less cumulative impairment loss of HK$241,233,000, which was recognised in profit or loss during the year ended 31st July, 2016.

On 26th August, 2016, the Group, through two wholly owned subsidiaries (the "Two Intermediate Holdco"), entered into deeds of settlement with Kong Kei Construction Limited ("Kong Kei"), vendor of 99% equity interest of Sun Fat, and a warrantor to Kong Kei (the "Warrantor"). Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the amendment of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the Warrantor agreed to repay to the Group an aggregate sum of approximately HK$298.0 million (the "Settlement Sum") which was the actual amount paid by the Group through the Two Intermediate Holdco to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Payment schedule of the Settlement Sum is as follows:

	HK$'000
On or before	
31st December, 2016	60,000
31st December, 2017	120,000
31st December, 2018	118,004
	298,004

Up to 31st July, 2019, the Group has received the full Settlement Sum from Kong Kei, which was recognised in profit or loss in the following accounting periods:

	HK$'000
Year ended 31st July,	
2017	90,000
2018	90,000
2019	118,004
	298,004

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on amount due to a director	**–**	131

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Tax expense (credit) comprises:		
Current tax		
PRC enterprise income tax	**27,427**	–
PRC land appreciation tax	**42,227**	23,535
	69,654	23,535
Deferred taxation	**(14,505)**	(10,471)
	55,149	13,064

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of the qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Company and subsidiaries did not generate any assessable profits for the years or have available tax losses brought forward from prior years to offset against assessable profits generated during these two years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% for both years.

8. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**6,305**	6,742
Other staff costs		
– Salaries and other benefits	**31,240**	32,395
– Retirement benefit scheme contributions	**2,830**	2,724
Total employee benefit expenses	**40,375**	41,861
Auditor's remuneration	**2,260**	2,120
Cost of inventories recognised as an expense	**18,707**	21,962
Cost of properties sold recognised as an expense	**230,503**	161,293
Depreciation included in:		
– other hotel operating expenses	**11,003**	12,486
– administrative expenses	**273**	324
Net foreign exchange loss (gain)	**692**	(35)
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	**1,460**	1,477
Bank and other interest income	**(2,154)**	(552)
(Gain) loss on disposal of property, plant and equipment	**(181)**	118
Interest income from financial assets at FVTPL	**(10,891)**	–

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**149,957**	37,188

	2019	2018
Number of shares:		
Number of ordinary shares for the purposes of basic earnings per share	**194,337,559**	194,337,559

The number of ordinary shares for the purpose of basic earnings per share for both current and prior years has been adjusted for the share consolidation of every twenty ordinary shares into one consolidated ordinary share which became effective on 13th March, 2019.

No diluted earnings per share is presented as there are no dilutive potential ordinary shares during both years.

10. TRADE AND OTHER RECEIVABLES

The hotel revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 days to its trade customers of hotel business. The following is an aged analysis of trade receivables, presented based on invoice date:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**1,431**	1,676
31 to 60 days	**21**	35
61 to 90 days	**39**	88
91 days or above	**248**	114
	1,739	1,913
Prepayments and deposits	**1,342**	2,588
Other receivables	**4,976**	1,968
	8,057	6,469

Before granting credit term to new trade customer of hotel business, the Group assesses the potential customer's credit quality by investigating the customer's historical credit record and then defines the credit limit of that customer. Trade receivables are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

The average credit period on purchases of goods is 30 to 120 days. An aged analysis of trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**2,175**	2,052
31 to 60 days	**761**	1,231
61 to 90 days	**381**	1,048
91 days or above	**156**	757
	3,473	5,088
Accruals	**4,126**	4,126
Other payables *(note)*	**34,415**	43,586
	42,014	52,800

Note: The balance as at 31st July, 2019 included retention payable amounting to HK$13,567,000 (2018: HK$19,146,000).

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$499.2 million for the year ended 31st July, 2019 (2018: HK$323.5 million), which comprised gross proceeds from sales of properties of HK$361.1 million (2018: HK$237.2 million), hotel operations of HK$71.1 million (2018: HK$79.1 million) and sales of securities and other business segments totaling HK$67.0 million (2018: HK$7.2 million).

Profit for the year attributable to owners of the Company for the year ended 31st July, 2019 was HK$150.0 million (2018: HK$37.2 million).

The increase in profit in the year ended 31st July, 2019 was mainly attributable to the net effect of (i) profit from sales of properties in Foshan; (ii) settlement consideration related to a property for development in Macau of HK$118.0 million (2018: HK$90.0 million) recognised in profit or loss; and (iii) a one-off impairment loss of HK$50.1 million on an available-for-sale investment recorded in 2018 as the Macau government authorities declared the land concession held by an investee company has become invalid.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be liquid. At 31st July, 2019, the Group had bank balances and cash of HK$357.0 million (2018: HK$280.8 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK$251.0 million (2018: HK$46.7 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2019 (2018: Nil).

On 12th March, 2019, an ordinary resolution was passed at an extraordinary general meeting to consolidate every twenty shares in the issued share capital of the Company into one consolidated share (the "Share Consolidation").

The Share Consolidation became effective on 13th March, 2019 and 3,886,751,193 shares in the issued share capital of the Company were consolidated into 194,337,559 consolidated shares.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds, was 33.7% at 31st July, 2019 (2018: 50.3%).

EXCHANGE RATE EXPOSURE

The assets and liabilities and transactions of several major subsidiaries of the Group are principally denominated in Renminbi or Hong Kong dollars pegged currencies, which expose the Group to foreign currency risk and such risk has not been hedged. It is the Group's policy to monitor such exposure and to use appropriate hedging measures when required.

BUSINESS REVIEW

For the year ended 31st July, 2019, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the People's Republic of China ("PRC")

Sales activities of the residential project alongside Hotel Fortuna, Foshan continue and revenue from sales of properties amounting to HK$361.1 million has been recognised for the year ended 31st July, 2019 (2018: HK$237.2 million). At 31st July, 2019, deposits for units pending hand over of approximately HK$31.4 million (2018: HK$185.6 million) was recorded and contribution from this high-rise residential development to the Group's revenue is expected to continue in the near term.

Nam Van Lake, Macau

The Group held an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. Pursuant to an official gazette of the Macau Special Administrative Region of the People's Republic of China published in 2018, the term of the land concession in respect of the property has expired and the Macau authorities declared that the land concession has become invalid. The Group has been informed by the investee company that a judicial appeal has been lodged against such resumption.

Coloane, Macau

On 5th August, 2016, the Company, through a 99% owned subsidiary Sun Fat Investment and Industry Company Limited ("Sun Fat"), received a written notification dated 1st August, 2016 from the Land, Public Works and Transport Bureau of Macau (the "Notification") informing that the validity period of the land grant in respect of the parcel of land of approximately 9,553 square meters located in Coloane held through Sun Fat for development (the "Macau Land") had expired and the Macau Land should be returned to the government of Macau without compensation. Sun Fat lodged a judicial appeal in September, 2016, and continues to seek legal advices as to the possible steps that can be taken.

On 26th August, 2016, the Group, through two then wholly owned subsidiaries, entered into deeds of settlement with Kong Kei Construction Limited ("Kong Kei"), vendor of Sun Fat and a warrantor. Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the application of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the warrantor agreed to repay to the Group an aggregate sum of approximately HK$298.0 million which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Up to 18th March, 2019, the full settlement sum of approximately HK$298.0 million has been received by the Group, of which HK$118.0 million is recognised in profit or loss in the current year (2018: HK$90.0 million).

Subsequently on 2nd July, 2019, the Company entered into a sale and purchase agreement with Kong Kei, pursuant to which the Company agreed to sell (the "Disposal"), and Kong Kei agreed to purchase the Group's interest in Sun Fat through the sale of the entire issued share capital of two wholly owned subsidiaries of the Company (the "Target Companies") together with the related shareholders' loans, for a cash consideration of HK$1.2 million. Completion of the Disposal took place on 30th July, 2019 and the Target Companies and Sun Fat have ceased to be subsidiaries of the Company since then.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019, 18th March, 2019 and 30th July, 2019.

Hotel operation

The Group has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the year ended 31st December, 2018, the hotel's occupancy rate dropped slightly to approximately 49.75% and recorded a turnover of approximately HK$80.3 million in 2018 compared to approximately HK$89.0 million in 2017.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 92.1% and recorded a turnover of approximately HK$243.2 million in 2018 compared to approximately HK$235.5 million in 2017.

Financial investments

As at 31st July, 2019, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK$33.4 million (2018: HK$46.7 million) and listed debt securities of HK$217.5 million (2018: Nil). During the year, the Group had surplus cash arising from properties sales and Kong Kei's repayment, which were invested in the listed debt securities.

Listed equity securities of HK$33.4 million (2018: HK$46.7 million), which consist entirely of shares in BOCOM International Holdings Company Limited (stock code: 3329), recorded an unrealised loss from fair value changes of HK$13.3 million during the year (2018: HK$17.5 million). Further details of the investment are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

As at 31st July, 2019, the Group had 28 listed debt securities (2018: Nil) representing approximately 86.7% of the investment portfolio. The marked to market valuation of the largest single debt security within the portfolio represents approximately 1.3% of the Group's total assets, and that of the five largest debt securities held represents approximately 4.8%. The remaining 23 debt securities represent 11.7% of the Group's total assets, each ranging from 0.1% to 0.8%. Approximately 95.3% of these debt securities are related to PRC-based real estate companies.

During the year, the debts portfolio gave rise to a net unrealised fair value gain of HK$0.2 million (2018: Nil) and interest income of HK$10.9 million (2018: Nil).

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in listed securities with attractive return and satisfactory rating, including debt securities. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when needed.

CONTINGENT LIABILITIES

At 31st July, 2019, the Group provided guarantees of approximately HK$187.2 million (2018: HK$92.2 million) to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature, which include basic salary, bonuses, share options, medical scheme, retirement and other benefits.

At 31st July, 2019, the Group had approximately 330 employees of whom approximately 310 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2019 amounted to approximately HK$40.4 million (2018: HK$41.9 million).

PROSPECTS

During the year, the Group received repayments and sales consideration totalling HK$119.2 million from Kong Kei in relation to Sun Fat and sales proceeds and deposits in relation to the Foshan residential project of approximately HK$206.9 million.

The Group's financial position is expected to be further enhanced in view of more sales revenue forthcoming from sales of the Foshan residential project. The Group will use such extra funding to boost its existing operations and seize viable investment projects.

The Group remains cautiously optimistic towards its performance in this rapidly changing environment. Amid market uncertainties and the US China trade frictions, the management continues to closely monitor its existing business and capture viable business opportunities to maintain sustainable long term growth of the Group.

PLEDGE OF ASSETS

Bank deposit of HK$643,000 (2018: HK$642,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2018: HK$600,000) granted to the Group, of which HK$9,000 (2018: HK$26,000) was utilised by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

In order to attain a high standard of corporate governance, the Company is committed to continuously adopting and improving effective measures and practices to achieve a high level of transparency and accountability in the interests of its shareholders.

During the year ended 31st July, 2019, the Company complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Code") except for the following deviation:

Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association. The Company will ensure that all directors retire at regular intervals.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st July, 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Code. The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr. Leung Kam Fai, all of whom are independent non-executive directors.

The principal functions of the Audit Committee include the review and supervision of the Group's reporting process and internal controls.

During the year, the Audit Committee held two meetings and performed the following duties:

1. reviewed and commented on the Company's draft annual and interim financial reports;

2. reviewed and commented on the Group's internal controls; and

3. met with the external auditors and participate in the re-appointment and assessment of the performance of the external auditors.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2019.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be held on Thursday, 12th December, 2019. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Monday, 9th December, 2019 to Thursday, 12th December, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 12th December, 2019, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 6th December, 2019.

By Order of the Board
Capital Estate Limited
Sio Tak Hong
Chairman

Hong Kong, 28th October, 2019

As at the date of this announcement, the Board comprises Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.